

REPORT ON EXAMINATION
OF
BRIDGEWAY INSURANCE COMPANY
AS OF
DECEMBER 31, 2021

TRINIDAD NAVARRO
COMMISSIONER



STATE OF DELAWARE
DEPARTMENT OF INSURANCE

REPORT ON EXAMINATION
OF
BRIDGEWAY INSURANCE COMPANY
AS OF
DECEMBER 31, 2021

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

A handwritten signature in blue ink, which appears to read "Trinidad Navarro", is positioned above a horizontal line.

Trinidad Navarro
Insurance Commissioner

Dated this 19th day of April, 2023

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February 9, 2023

Honorable Trinidad Navarro
Commissioner of Insurance
Delaware Department of Insurance
1351 West North Street
Suite 101
Dover, Delaware 19904

Dear Commissioner:

In compliance with instructions and pursuant to statutory provisions contained in Examination Certification No. 22.035, January 4, 2021, an examination has been made of the affairs, financial condition and management of

Bridgeway Insurance Company

hereinafter referred to as the Company or BIC. The Company was incorporated under the laws of the State of Delaware as a stock company with its registered office located at 838 Walker Road, Suite 21-2, Dover, Delaware 19904. The administrative office of the Company is located at 555 College Road East, Princeton, New Jersey 08543. The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

The Delaware Department of Insurance (Department) performed a multi-state financial examination of the Company. The previous regulatory examination of the Company f/k/a American Modern Surplus Lines Insurance Company was performed by the Ohio Department of Insurance covered the five-year period from January 1, 2010 through December 31, 2014. This examination will cover the two-year period from January 1, 2020

through December 31, 2021. Our examination of the Company was performed as part of the examination of the Munich Re America Corporation (MRAC) affiliated sub-group of insurance companies as of December 31, 2021. The examination was conducted concurrently with that is its Delaware domiciled affiliated companies, Munich Reinsurance American, Inc. (MRAm), American Alternative Insurance Company (AAIC), The Princeton Excess and Surplus Lines Insurance Company (PESLIC), Digital Edge Insurance Company and the Company's Rhode Island affiliate Digital Advantage Insurance Company (DAIC). To the fullest extent, the efforts, resources, project material and findings were coordinated and made available to all examination participants.

We conducted our examination in accordance with the *National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook* (Handbook) and generally accepted statutory insurance examination standards consistent with the Insurance Code and Regulations of the State of Delaware. The NAIC Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles.

The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the

impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, pursuant to the General Corporation Law of the State of Delaware as required by 18 *Del. C.* § 321, along with general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

During the course of this examination, consideration was given to work performed by the Company's external accounting firm Ernest & Young LLP (E&Y). Certain auditor work papers of the 2021 E&Y audit of the Company have been incorporated into the work papers of the examiners and have been utilized in determining the scope, areas of emphasis in conducting the examination, and in the area of risk mitigation and substantive testing.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings or material changes in financial statements as a result of this examination.

COMPANY HISTORY

The Company was originally incorporated and started operations as a subsidiary of the American Family Home Insurance Company (AFHIC) as an Ohio domiciled insurer. The Company was a member of the American Modern Insurance Group and a 5% participant in the American Modern Reinsurance Pool through June 30, 2019.

On July 1, 2019, with the approval of the Ohio and Florida Departments of Insurance, the Company's former parent AFHIC, an insurance company domiciled in the state of Florida, paid a dividend of the capital stock of the Company ultimately to Munich American Holding Corporation (MAHC), a direct wholly owned subsidiary of Munchener Ruckversicherungs-

Bridgeway Insurance Company

Gesellschaft Aktiengesellschaft (Munich Re Germany or MRG). On July 2, 2019, MAHC contributed the capital stock of the Company to MRAC. On November 20, 2019, the Company received a capital contribution from MRAC of \$21,000,000.

Effective January 17, 2020, the Company became a Delaware domestic insurer following the re-domestication from the State of Ohio and name change from American Modern Surplus Lines Insurance Company to BIC.

Capitalization

The Company's amended Certificate of Incorporation authorizes the issuance of 1,000 shares of common stock with a \$5,000 par value. As of December 31, 2021, the Company had 1,000 shares of common stock issued and outstanding totaling \$5,000,000. All outstanding common shares of the Company are owned by MRAC. As of December 31, 2021, the Company reported gross paid-in and contributed surplus of \$36,000,000.

MANAGEMENT AND CONTROL

Pursuant to the general Corporation Laws of the State of Delaware, as implemented by the Company's Certificate of Incorporation and bylaws, all corporate powers and its business property and affairs are managed by, or under the direction, of its Board of Directors (Board). In accordance with the Company's bylaws, the number of Directors shall consist of not less than three members or more than eleven members. Directors shall be elected annually by the sole stockholder and shall hold office for one year until successors are elected and qualified, or until earlier resignation or removal. The members of the Board, serving as of December 31, 2021, each elected or appointed in accordance with the Company Bylaws were as follows:

<u>Name</u>	<u>Affiliation</u>
Richard Leonard Alleyne	MRAM
Andrew James Buchanan	MRG
Alice Chamberlayne Hill	Independent
Oliver Juergen Horbelt	MRAM
Michael Gerard Kerner	MRAM
Anthony Joseph Kuczinski	MRAM
Elizabeth Ann Levy-Navarro	Independent
Adrieene Wallis Mageras	MRAM
Lisa Ann Pollina	Independent
Cathy Bostick Smith	MRAM

Committees of the Board

The standing Board of Director committees as of December 31, 2021, were constituted as follows:

Audit Committee

Andrew James Buchanan, Chair
Elizabeth Ann Levy-Navarro, Independent
Alice C. Hill, Independent
Lisa A. Polina, Independent

Regional Investment Committee

Oliver Juergen Horbelt , Chair
René Gobonya
Peter Richter
Björn Reichwald
Ganesh Narayan

Regional Risk Management Committee

Anthony Joseph Kuczinski – Chair
Richard Leonard Alleyne
Gregory M. Barats
Angela Homm
Oliver Juergen Horbelt
Dr. Markus Hummel
Michael Gerard Kerner
Andreas Kleiner
Adrienne Wallis Mageras
Cathy Bostick Smith
Dr. Marcus Stefan Winter

Officers

In accordance with its bylaws, officers serving the Company shall be a Chief Executive Officer, a Chief Financial Officer and a Secretary. The Board may also elect a Chairman, a President, a Treasurer, one or more Vice Presidents and such Assistant Secretaries and Assistant Treasurers as they may deem proper. The senior officers, duly appointed in accordance with the bylaws and serving as of December 31, 2021, are as follows:

<u>Name</u>	<u>Title</u>
Michael Gerard Kerner	Chief Executive Officer
Oliver Juergen Horbelt	SVP, Chief Financial Officer
Ignacio Rivera	Deputy General Counsel & Secretary

Corporate Records

The recorded minutes of the Shareholder and Board were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions and events including approval of investment transactions in accordance with 18 *Del. C.* §1304. In addition, the review of Company files indicated that written correspondence was submitted to the Department with regards to the changes in officers and directors during the period under examination in compliance with 18 *Del. C.* §4919.

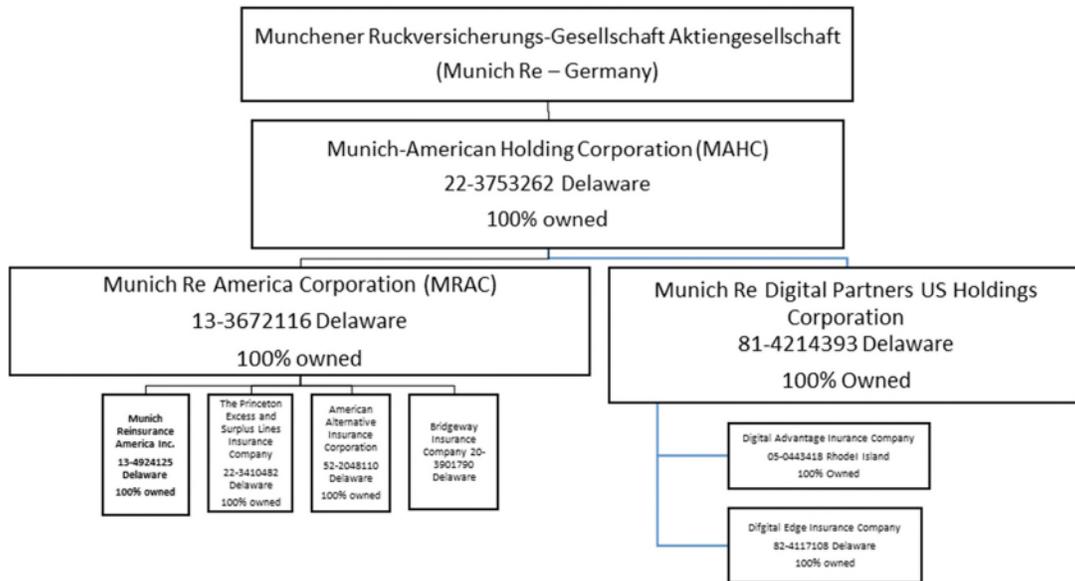
Insurance Holding Company System

The Company is a member of an Insurance Holding Company System as defined under 18 *Del. C.* §5001 (7) of the Delaware Insurance Code. The Company maintains that as of December 31, 2021, MRG is the ultimate controlling entity of the Company. The 2021 amounts below were reported in the most recent MRG annual report based on International Financial Reporting Standards (IFRS), converted from Euros to U.S. dollars at December 31, 2021, (conversion rate of 1 Euro = \$1.137651 U.S.).

Bridgeway Insurance Company

Assets	\$355.4 Billion
Liabilities	\$320.2 Billion
Equity	\$35.2 Billion

The following is an abbreviated organizational chart of the insurance holding company system as of December 31, 2021:



A review of the Annual Form B and Form C filings made by BIC for all filings to the Department revealed that the Company has complied with the requirements of 18 *Del. Admin. Code* §1801.

Agreements with Affiliates

The Company was a party to the following significant intercompany agreements and arrangements in effect as of December 31, 2021:

Consolidated Income Tax Allocation Agreements

Effective September 27, 2017, the Company entered into the Second Amended and Restated Tax Allocation Agreement with MAHC and all its subsidiaries for tax years ending

December 31, 2017 and later. Under this agreement, income tax expenses are computed on a separate company basis as if each affiliate filed a separate tax return. Intercompany balances shall be settled on a quarterly basis. This agreement was filed with the Department on February 3, 2017, and approved by the Department on February 7, 2017. This agreement was amended on July 31, 2018 and August 1, 2019. These amendments were filed with and approved by the Department.

Effective January 15, 2020, the 2017 Second Amended and Restated Tax Allocation Agreement was replaced with the Third Amended and Restated Tax Allocation Agreement with MAHC and all its subsidiaries with similar terms for tax years ending December 31, 2020 and later. This agreement was filed with the Department on January 30, 2020, and approved by the Department on February 18, 2020. This agreement was amended on August 31, 2020. This amendment was filed with and approved by the Department.

General Service and Administrative Agreement

Effective October 7, 2019, the Company entered into an Amended and Restated General Services and Cost Allocation Agreement with MAHC and affiliates. Parties to the agreement may provide the following services to each other: accounting, tax, auditing, underwriting, claims, actuarial, information technology, legal, payroll, human resources, corporate finance, public relations, executive, engineering, loss mitigation and inspection, intellectual property and other services. The agreement requires that charges and expenses incurred be allocated according to Delaware Insurance Laws and Statement of Statutory Accounting Principles (SSAP) 70. Charges shall be settled within thirty days of the end of each calendar quarter. The terms of this agreement are considered fair and equitable. This agreement was filed with the Department on September 24, 2019, and approved by the

Department on October 7, 2019. This agreement was amended on March 3, 2021. The amendment was filed with and approved by the Department.

Investment Management Agreement

Effective October 1, 2020, the Company entered into an Investment Management Agreement with affiliate MR Group Investment US, Inc. (MRGIUS). The agreement provides that MRGIUS will manage the investment portfolio of invested assets held by State Street Bank, the Company's custodian. MRGIUS is required to adhere to strict Investment Guidelines attached to the agreement and amended periodically whenever the Company amends its investment policy. The Company retains the sole authority to modify Investment Guidelines and MRGIUS is not permitted to trade assets that are designated by the Company as regulatory or trust deposits. MRGIUS does not act as custodian and does not physically hold any of the Company's invested assets. Regular reviews of the performance and actions of MRGIUS are performed and the terms of the agreement were considered fair and equitable. Charges shall be settled within thirty days of the end of each calendar quarter. This 2020 Investment Management Agreement was filed with the Department on August 24, 2020, and approved by the Department on September 14, 2020.

TERRITORY AND PLAN OF OPERATION

Territory

The Company is a Delaware Corporation and is licensed, or otherwise meets the standards for writing surplus lines business. The Company is eligible or approved to write surplus lines in all fifty states and the District of Columbia.

Plan of Operation

The Company operates as an authorized surplus lines writer underwriting property and casualty business through insurance and reinsurance intermediaries. The Company's

major lines include fire, medical professional liability (claims made), and other liability (occurrence and claims made).

REINSURANCE

The Company reported the following distribution of written premiums in 2021:

Direct	\$ 110,937,959
Assumed from Affiliates	-
Assumed from Non-affiliates	-
Gross Premiums Written	<u>\$ 110,937,959</u>
Ceded to Affiliates	\$ 110,937,959
Ceded to Non-affiliates	-
Total Ceded	<u>\$ 110,937,959</u>
Net Premiums Written	<u><u>\$ -</u></u>

Assumed

The Company did not assume any business for the years under examination.

Ceded to Affiliates

Ceded to MRAM

The Company is a participant in a Reinsurance Pooling Agreement (Pooling Agreement) with MRAM, AAIC and PESLIC, originally effective July 1, 2009, by Amendment #1 adding the Company to the Pooling Agreement effective July 1, 2019, and approved by the Department on September 16, 2019. The Pooling Agreement covers all direct and assumed current and prior policies and contracts issued by AAIC, PESLIC and the Company. Under the Pooling Agreement, each of the companies cedes 100% of its net liabilities to the pool. MRAM is the lead company for the Pooling Agreement and has a 100% participation in the pooled business and AAIC, PESLIC and the Company each have a 0% participation in the pooled business. As such, on a net basis, the Company has no incurred losses and loss adjustment expenses.

FINANCIAL STATEMENTS

The following financial statements, as reported and filed by the Company with the Department, are reflected in the following:

- Statement of Assets as of December 31, 2021
- Statement of Liabilities and Surplus as of December 31, 2021
- Statement of Income for the year ended December 31, 2021
- Statement of Capital and Surplus Account for the year ended December 31, 2021
- Reconciliation of Capital and Surplus for the Period December 31, 2019 to December 31, 2021

STATEMENT OF ASSETS
As of December 31, 2021

	Ledger Assets	Nonadmitted Assets	Net Admitted Assets 2021
Bonds	\$ 107,800,179	\$ -	\$ 107,800,179
Common stocks (stocks)	-	-	-
Cash & Cash equivalents	16,004,599	-	16,004,599
Short Term Investments	-	-	-
Subtotals, cash and invested assets	\$ 123,804,778	\$ -	\$ 123,804,778
Investment income due and accrued	203,595		203,595
Uncollected premiums and agents' balances in the course of collection	7,174,528	-	7,174,528
Amounts recoverable from reinsurers	5,806	-	5,806
Net deferred tax asset	762,654	-	762,654
Receivables from parent; subsidiaries and affiliates	8,819	-	8,819
Aggregate write-ins for other than invested assets:			-
Imprest Loss Funds/ Loss paymentst in advance	339,774	-	339,774
Total Assets	<u>\$ 132,299,954</u>	<u>\$ -</u>	<u>\$ 132,299,954</u>

STATEMENT OF LIABILITIES AND SURPLUS
As of December 31, 2021

	<u>2021</u>	<u>Note</u>
Losses	\$ -	1
Reinsurance payable on paid losses and loss adjustment expenses	-	
Loss adjustment expenses	-	1
Commissions payable; contingent commissions and other similar charges	297,506	
Other expenses (excluding taxes; licenses and fees)	356,528	
Taxes, licenses, and fees	-	
Current Federal and Foreign income taxes	504,470	
Unearned premiums	-	
Ceded reinsurance premiums payable (net of ceding commissions)	70,405,944	
Funds held by company under reinsurance treaties	-	
Payable to parent; subsidiaries and affiliates	4,720,675	
Aggregate write-ins for liabilities	<u>3,745,485</u>	
Total liabilities excluding protected cell liabilities	<u>\$ 80,030,608</u>	
Total liabilities	<u>\$ 80,030,608</u>	
Aggregate write-ins for special surplus funds	-	
Common capital stock	5,000,000	
Gross paid in and contributed surplus	36,000,000	
Unassigned funds (surplus)	<u>11,269,346</u>	
Surplus as regards policyholders	<u>\$ 52,269,346</u>	
Totals of liabilities & surplus	<u>\$ 132,299,954</u>	

STATEMENT OF INCOME
For the Year Ended December 31, 2021

	<u>2021</u>
Underwriting Income	
Premiums earned	\$ <u>-</u>
Deductions	
Losses incurred	\$ -
Loss adjustment expenses incurred	-
Other underwriting expenses incurred	<u>(2,460,989)</u>
Total underwriting deductions	<u>\$ (2,460,989)</u>
Net underwriting gain (loss)	<u>\$ 2,460,989</u>
Investment Income	
Net investment income earned	741,139
Net realized capital gains (losses)	<u>553,861</u>
Net investment gain (loss)	<u>\$ 1,295,000</u>
Other Income	
Net gain (loss) from agents' or premium balances charged off	(100,003)
Aggregate write-ins for miscellaneous income	<u>(1,806)</u>
Total other income	<u>\$ (101,809)</u>
Net income before dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	<u>\$ 3,654,180</u>
Dividends to policyholders	<u>-</u>
Net income; after dividends to policyholders; after capital gains tax and before all other federal and foreign income taxes	\$ 3,654,180
Federal and foreign income taxes incurred	<u>530,351</u>
Net Income	<u><u>\$ 3,123,829</u></u>

CAPITAL & SURPLUS ACCOUNT
For the Year Ended December 31, 2021

Surplus as regards Policyholders, December 31, 2020:	\$ <u>2021</u> 49,382,544
Net Income	3,123,829
Change in deferred income tax	<u>(237,027)</u>
Change in surplus as regards policyholders for the year	\$ 2,886,802
Surplus as regqrd policyholders December 31, 2021:	<u><u>\$ 52,269,346</u></u>

RECONCILIATION OF CAPITAL AND SURPLUS
As of December 31, 2019, to December 31, 2021

	Common Capital Stock	Gross Paid-in and Contributed Surplus	Unassigned Surplus	Total
12/31/2019	\$ 5,000,000	\$ 36,000,000	\$ 7,558,343	\$ 48,558,343
12/31/2020 (1)	-	-	1,045,334	1,045,334
12/31/2020 (2)	-	-	(221,133)	(221,133)
12/31/2021 (1)	-	-	3,123,829	3,123,829
12/31/2021 (2)	-	-	(237,027)	(237,027)
Total	\$ 5,000,000	\$ 36,000,000	\$ 11,269,346	\$ 52,269,346

- (1) Represents net income.
(2) Change in net deferred income tax.

**ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM
THE EXAMINATION**

There were no changes made to the Financial Statements as a result of this Examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note 1:

Losses	\$0
Loss Adjustment Expenses	\$0

The examination liabilities for the aforementioned captioned items are the same as those balances reported by the Company as of December 31, 2021. The examination analysis of Loss and Loss Adjustment Expense reserves was conducted in accordance with Statutory Accounting Principles, including NAIC *Accounting Practices and Procedures Manual*, SSAP No. 55. As part of a reinsurance pooling agreement noted in Reinsurance section above, the Company is a party to 100% Pooling Agreement in which all losses net of third party reinsurance are ceded to MRAM.

SUBSEQUENT EVENTS

Reinsurance pooling

Effective January 1, 2022, the Pooling Agreement was amended. DAIC was added to the Pooling Agreement, covering all direct and assumed current and prior policies and contracts issued by DAIC. As such, MRAm has assumed 100% of the net liabilities (defined as gross liability net of specific cessions to other reinsurers) under policies, contracts and binders of insurance and reinsurance of DAIC.

Intercompany tax sharing

Effective September 30, 2022, and approved by the Department on August 30th, 2022, MAHC has amended the tax sharing agreement with certain affiliates of MRAm, PESLIC, AAIC and the Company. The agreement has been modified to address if a subsidiary company generates a tax loss which is subsequently used by the MAHC consolidated group on its return, the subsidiary in question will then be repaid for its losses during the same period of tax return that the loss was used.

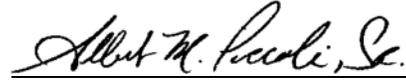
SUMMARY OF RECOMMENDATIONS

There were no recommendations as a result of this examination.

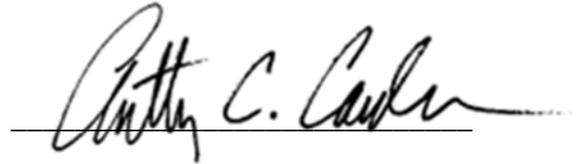
Bridgeway Insurance Company

The assistance and cooperation of the Company's outside audit firm, E&Y, and the Company's management and staff was appreciated and is acknowledged.

Respectfully submitted,



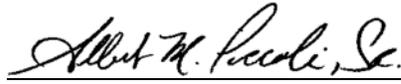
Albert M. Piccoli, Sr., CFE
Examiner In-Charge
State of Delaware



Anthony Cardone, CPA, CFE
Supervising Examiner
State of Delaware

Bridgeway Insurance Company

I, Albert Piccoli, hereby verify and attest, under penalty of perjury, that the above is a true and correct copy of the examination report and findings submitted to the Delaware Department of Insurance pursuant to Examination Certification No. 22.035.

A handwritten signature in black ink, reading "Albert M. Piccoli, Sr.", written in a cursive style. The signature is underlined.

Albert M. Piccoli, Sr. CFE